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Health Care Financing

Grants for Research and Demonstrations

Fiscal Year 1981

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Office of Research, Demonstrations, and Statistics

Health Care Financing Grants for Research and Demonstrations

The Health Care Financing Administration was established in March 1977 to combine HEW's health financing and quality assurance programs into a single agency. HCFA is responsible for the operations of the Medicare and Medicaid programs, the PSRO program, Federal survey and certification efforts, and a variety of health care quality assurance activities.

The mission of the Health Care Financing Administration is to promote the timely delivery of appropriate, quality health care to its beneficiaries—approximately 47 million aged, disabled, and poor Americans. HCFA is committed to making beneficiaries aware of the services for which they are eligible, promoting the accessibility of those services and ensuring that HCFA policies and actions promote efficiency and quality within the total health care delivery system.

HCFA's Office of Research, Demonstrations, and Statistics (ORDS) conducts studies and projects that demonstrate and evaluate optional reimbursement, coverage, eligibility, and management alternatives to the present Federal programs. ORDS also assesses the impact of HCFA programs on health care costs, program expenditures, beneficiary access to services, health care providers, and the health care industry. In addition, ORDS monitors national health care expenditures and prices and provides actuarial analyses on the costs of current HCFA programs as well as the impact of possible legislative or administrative changes in the programs.

HCFA solicits grants twice a year, in April and October. The HCFA grants program focuses primarily on research and demonstration projects. However, HCFA will also support the collection and dissemination of new data useful in administering its programs.

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I. General Information

The Health Care Financing Administration (HCFA) of the Department of Health and Human Services (HHS) was established to promote the timely delivery of quality health care to its beneficiaries in the most efficient and cost-effective manner.

HCFA's Office of Research, Demonstrations, and Statistics (ORDS) funds projects through its grants program to assist in solving major health care financing policy and program issues, and to develop new methods for administering HCFA's programs. The Social Security Act and the Public Health Service Act[1] provide authority to award these grants to nonprofit or public organizations (including State agencies responsible for administering the Medicaid program).

This brochure describes:

- project areas of interest;
- types of grants and funding;
- how to apply for a grant; and
- the review of grant applications.

Additional information about applications, grantee responsibilities, the payment process, and special provisions and assurances is contained in a HCFA grants application kit. (See page 3 for more information about the kit.)

After reading this booklet, if you have any questions about the grants process, or the project areas of interest, contact:

Program Support Office
Office of Research, Demonstrations, and Statistics
Health Care Financing Administration
Area 2E6 Oak Meadows Building
6340 Security Boulevard
Baltimore, MD 21207
Telephone: (301) 594-7474

HCFA plans to provide a technical workshop for grantees and potential grantees on our current priorities and the application procedures. The workshop will include: an explanation of the goals of HCFA's research and demonstration program; review and clarification of HCFA's priority areas for research and demonstration activities; an explanation of the process for submitting

[1] The authorities for these grants include: Social Security Act, Title XI Sections 1110 and 1115(a); Section 222(a) of the Social Security Amendments of 1972; Section 402(a) of the Social Security Amendments of 1967; Section 3(a), P.L. 95-210; The Public Health Service Act, Section 1526(a) as restricted by Section 1521(b)(3); and The Public Health Service Act, Section 1533(a) as it relates to Section 1533(d).

applications; review of criteria for evaluating applications; and a discussion of the availability of funds. We have tentatively scheduled a one-day conference for February 1981 to be held in Washington, D.C. We will publish advance notice of the date and time of the conference in the *Federal Register*.

Project Areas of Interest

The HCFA grants program focuses primarily on: research; demonstration projects; and the collection and dissemination of new data useful in administering its programs.

HCFA will consider funding projects under the following two general areas:

- Projects which will develop or demonstrate new financing methods, management procedures, service concepts, or new technology designed to improve HCFA programs.
- Projects designed to develop information about the nature of costs and inflation in the health care field, or about the economic and behavioral relationships between health care financing methods and activities in the health care field.

In Fiscal Year 1981, HCFA is primarily interested in funding projects which address one of its ten current priority areas. These priority areas are described in Section II of this brochure, and include:

1) Beneficiary Impact and Awareness;
2) Child Health;
3) Health Systems Organization;
4) Hospital Costs;
5) Industrial Organization and Reimbursement;
6) Integrated Data Management Systems;
7) Long Term Care;
8) Physician Reimbursement;
9) Quality and Effectiveness; and
10) State Medicaid Programs.

Types of Grants and Funding

HCFA has two types of grants applications: solicited and unsolicited. Solicited grants applications are those which fit one of the ten current priority areas described in Section II. (Applications for priority area grants must be limited to one priority.) Applications which do not fit any of these ten areas, but which fall under one of the general areas, are considered unsolicited grants applications. HCFA will return applications which do not come under either category.

Solicited grants applications are given first priority for available funds. Unsolicited grants applications generally will be considered for funding after decisions are made on the solicited applications.

We award grants for a period of one year and may continue a grant on a non-competitive basis, generally for up to three years, if we awarded the original grant as a multiple year project. Continuation funding is contingent on the availability of future year funds, the applicant's ability to meet prior year project objectives, and the continued relevance of the project to HCFA programs.

We treat applications which seek to continue a project for a longer period than that stated in the original as new projects. Thus, they must compete for available funds, and we will review these applications competitively along with all other new grants applications.

Projects are funded through a competitive process based on a choice of applications submitted in response to this notice. All grantees are expected to share directly in the costs of the projects. This sharing must be at least 5 percent of the total project cost or must be institutional cost sharing when the applicant has such cost sharing established with the Department of Health and Human Services.

For Section 1115(a) projects, the amount the single State agency will be expected to provide generally must be at least 5 percent of special Federal project funds. This amount cannot be met by in-kind contributions.

How to Apply for a Grant

To apply for a grant:

1. Read this booklet.
2. Send for a grants application kit. This kit includes:

   - Grants application forms and instructions;
   - A handbook on HCFA grants policy;
   - The relevant Federal regulations; and
   - The most recent *Federal Register* Notice.

Use these documents as references in answering technical questions not related to the current priority project areas. You may obtain application kits from:

Project Grants Branch
Health Care Financing Administration
Area E-1 Gwynn Oak Building
1710 Gwynn Oak Avenue
Baltimore, MD 21207
Telephone: (301) 594-3332 or (301) 594-3342

3. Develop your application. If you have any questions filling out the forms, call or write the Project Grants Branch.
4. Identify the solicited priority area and its number (as listed on page 2 of this booklet). Put this information on Page 1 of the application, under item 7 (Title and Description of Applicant's Project). Also, clearly mark the priority area and its number on the outside of the envelope.
   Indicate if the application is not in response to one of the current priority areas. In this situation, the project title should include the phrase, ". . . an unsolicited grant application" and the envelope should indicate the same.
5. Submit your completed application to the Project Grants Branch. (The applicant must indicate if the same or similar application is being submitted to another HHS agency, such as the Social Security Administration.)
6. If you want to check on the progress of your application, contact either the Project Grants Branch or the Program Support Office, and refer to the application by its number and priority area. As soon as the Project Grants Branch logs in the application, they will return the self-addressable card (from the application kit) to you. This card indicates the application's number and priority area.

Waivers

SECTION 1115(a) PROJECTS

All requirements of the Social Security Act, the Code of Federal Regulations, and other issuances that pertain to the Medicaid program apply to a project approved under Section 1115(a), unless they are specifically waived.

Section 1115(a)(1) of the Social Security Act allows compliance with statutory State Medicaid plan requirements to be waived so that a State Medicaid agency can carry out a significant demonstration project which will further the general objectives of the Medicaid program.

This Section contains the following provisions:

- It permits the waiver of elements of a State's Medicaid plan.
- It allows for the payment of some elements of service that would otherwise not be allowed under the Medicaid program.
- It permits HCFA to pay for portions of the project that would otherwise have to be borne by the State under the Medicaid program.

HCFA reviews Section 1115(a) waiver-only applications (that is, applications which seek only waivers of a State plan for medical assistance and HCFA regulations) concurrently with applications requesting direct financial support. We also use the same closing, review and award dates established for grants applications for Section 1115(a) waiver-only projects unless we state otherwise in a *Federal Register* Notice.

If you are interested in this kind of grant, we urge you to contact ORDS to discuss how to complete the application. Applicants may obtain Section 1115(a) grants kits from the Project Grants Branch at the address previously listed.

A State Medicaid agency applying for a Section 1115(a) project should give special attention to the preparation of the budget. These budgets are much more extensive than the budget for other grants applications. (See HCFA-PG-11A, Instructions for Completion of Federal Assistance Application, Form HCFA-PG-11.)

OTHER WAIVERS

HCFA may also approve waivers to allow elements of service to be delivered and paid for that are normally not a part of the Medicare and Medicaid programs. These waivers are authorized by Titles XVIII and XIX of the Social Security Act (Section 222(a) of the Social Security Amendments of 1972, and Section 402(a) of the Social Security Amendments of 1967) and corresponding HCFA regulations.

New Projects

SPECIFIC REQUIREMENTS

The grants application should meet the following specific requirements:

1. Clearly state measurable project goals and objectives.
2. Describe the research or demonstration design, including hypotheses, procedures, and data base(s) to be used. The methodologies must be well-defined and scientifically valid.
3. Provide an evaluation component if the project is a demonstration or experimental project. This component must describe data collection and analysis procedures to evaluate how well the objectives of the project were met. It must also include a statement about the extent to which conclusions

may be generalized. At HCFA's discretion, the evaluation component may be performed separately by an independent third party. For this reason, the budget for the evaluation plan must be prepared separately.

4. Discuss the relevance of the project, or its findings, to HCFA programs or policy concerns.
5. Clearly describe any tasks that are to be undertaken and the milestones that are to be met, including a schedule of reports to be submitted to HCFA.
6. Specify the data that are to be used and their availability. If the data are to be collected, the application must describe: 1) the nature of the data that will be sought; 2) the sample design (and size, if known); 3) any controls that will be used; and 4) the problems that might be encountered. Data that are collected under a HCFA grant must be available to HCFA or its agents. However, the applicant must ensure the confidentiality of any personally identifiable information collected under the auspices of any HCFA grant. (See item 14 for more information about confidentiality.)
7. Comply with the human subjects regulations (in Title 45 of the Code of Federal Regulations, Part 46). This is done formally by including a completed form HEW-596 "Protection of Human Subjects" (Rev. 2/80, to be reprinted as HHS-596 when existing supplies run out). If you have never dealt with this matter, we urge you to contact the Program Support Office for more information.
8. Fully describe the qualifications and experience of the individuals who will work on the project, and show how their abilities relate to the specific project proposed. Also, specify how the project personnel are to be organized, to whom they report, and how they will be used to accomplish specific objectives. The lines of authority and specific project responsibilities are especially important.
9. Demonstrate that adequate facilities and equipment are available or can be obtained to conduct the project (if appropriate).
10. Provide a budget which lists the amount of funding requested for each element of work; for example, personnel, travel, supplies, and other direct costs. The budget must be developed in detail with justifications and explanations for the amounts requested. The requested support will be considered against the anticipated results. Applicants are expected to directly share at least 5 percent of all project costs for which Federal funds are requested. Funds cannot be awarded for construction or remodeling, or for any activities that take place before the applicant receives the official notification of HCFA approval of the project.

11. Projects that require waivers (for example, those under Section 1115(a) of the Social Security Act, Section 222(a) of the Social Security Amendments of 1972 and Section 402(a) of the Social Security Amendments of 1967) must: define the services; list the waivers; discuss the implications if such waivers are granted; and state the effect on Federal, State, and local laws as well as the effect (beneficial or adverse) on individuals enrolled in the project. Both Federal and State regulations govern the Medicaid program. Therefore, when a project is planned that will require waiving Medicaid regulations, the State Medicaid agency must be the grantee. If the project involves both Medicare and Medicaid waivers, two applications will be needed—one from the applicant requesting Medicare waivers, and a second from the State agency administering the Medicaid program. In addition, these types of applications must estimate the amount of program (and administrative) expenditures that will occur under the waivers and compare these expenditures to those that currently occur in the programs.
12. Discuss plans for use of the project's results.
13. Determine whether review by the appropriate State and area-wide clearinghouse is required. This review is designed to promote coordination of Federal and Federally assisted programs and projects with each other and with State and local plans and programs.
14. Detail plans to protect the confidentiality of all information tending to identify individuals served or studied under the project. The plans must specify that such information is confidential, that it may not be disclosed directly or indirectly except for purposes directly connected with the conduct of the project, and that informed written consent of the individual must be obtained for any disclosure.
15. Include additional specific project requirements in individual special grant solicitations.

OTHER REQUIREMENTS

When a project is completed, each applicant must submit a final report in a format to be specified by ORDS. The report must contain a project description, and must:

1. Identify the project director, grant number, grantee, and title of the project;
2. Describe the initial hypotheses and objectives, the study methodology and the findings;
3. Supply a list and copies of publications resulting from the project;

4. Acknowledge the support received from HCFA and include a disclaimer to indicate that the findings do not necessarily reflect policies of HCFA; and
5. Provide an executive summary of the report in camera-ready format.

Closing Times for Applications

HCFA processes grants applications twice a year and makes award announcements about five to six months after the closing date. The following closing dates apply:

Fiscal Year 1981
Monday, April 6, 1981

Fiscal Year 1982
Monday, October 5, 1981
Monday, April 5, 1982

For all dates, the closing time is not later than 4:30 p.m., Eastern Standard Time.

We will consider applications "on time" if they are either postmarked (first class mail) or received by the deadline. Because of the importance of the postmark, we encourage applicants to request the post office to provide a legible postmark. We will acknowledge receipt of each application, and we will carry over late applications until the next closing date unless the applicant notifies the Project Grants Branch that it is being withdrawn.

Review of Grants Applications

The review process will consist of two phases. First, HCFA will screen out applications not relevant to its interests, and the applicants will be notified. The remaining applications will go to the second review phase, in which a panel of experts reviews each application.

The second phase will consist of the review, ranking, and award. The review will be conducted by a panel of not less than three experts (who are not staff members of ORDS).

Each panel considers the following criteria to arrive at an award decision:

- The availability of HCFA human and fiscal resources combined with the relative importance of the proposed project;
- Whether the project addresses an area of declared interest, and the relevance of the anticipated results to HCFA programs;

- The adequacy and creativity of the research or demonstration design and hypotheses, the validity and appropriateness of the methods and data bases proposed, and the experience and competence of the researchers;
- Whether there is a realistic expectation that the project can be carried out within the times specified;
- Whether the proposed project methodology is precise and consistent with what is generally agreed to be the state of the art;
- Whether the overall budget, the personnel resources to be used, and the facilities and equipment are appropriate for the proposed project, and to the concern of HCFA for that issue;
- Documentation of a commitment of the parties necessary to the success of the planned project, if the project requires the cooperation of several parties; and
- Whether results would be of value in other State settings or are of national importance.

There will be at least one panel for each priority. An ORDS chairperson will coordinate the panel's review, but will not vote. This individual will also prepare the panel's recommendation and send it to the Director, Office of Research, Demonstrations and Statistics (ORDS). The panel's recommendations will contain numerical ratings, ranking of acceptable projects, and a written assessment of each application. The Director of ORDS will then determine which projects will be funded.

II. Current Priority Areas

1. Beneficiary Impact and Awareness

HCFA is interested in examining the impact of the Medicare and Medicaid programs on beneficiaries. Issues of general interest relate to increased knowledge of the program participants (or eligible non-participants); the use and cost of benefits covered (or those used and not covered); and barriers to beneficiary access to quality health care and methods to remove these barriers. HCFA is not soliciting broad surveys of health care use and costs, or studies of supplemental insurance programs referred to as "Medigap" policies, since HCFA is funding these areas through contracts. HCFA will give highest priority to research and demonstration projects in the following areas:

- Projects designed to study the degree of beneficiary understanding of program benefits and coverage under current health care systems and the level of beneficiary satisfaction with the current programs, particularly with respect to the End Stage Renal Disease Program (ESRD); and demonstrations to test ways to improve beneficiary understanding and satisfaction through educational efforts, changes in the way health care is provided or other innovative arrangements.
- Studies to determine the impact of fluctuations in Medicaid eligibility with respect to: overall use of services or deferral of needed services, types of services used, type of provider, and health outcomes.
- Studies which will identify the out-of-pocket costs for beneficiaries enrolled in (or eligible for) the ESRD program and analyze who pays for ESRD benefits and liabilities not covered by Medicare (including coinsurance, deductibles, reasonable charge reductions on unassigned claims, and non-covered services). Related issues include choices of treatment, availability of information to beneficiaries and access to providers.
- Projects designed to study how non-covered services to Medicare and Medicaid beneficiaries are financed (such as services "forgiven" by physicians or institutional providers) including analysis of the kind, amount, and frequency of non-covered services.
- Studies designed to determine the impact of the Medicare and Medicaid programs on health outcomes of beneficiaries, including methodological issues related to assessing how effective these programs are in improving the beneficiaries' health. Studies should use existing data, since funds are not available for new data collection.

2. Child Health

HCFA is interested in innovative demonstration projects involving child health assurance programs, such as Early and Periodic Screening, Diagnosis, and Treatment (EPSDT), which test ways to: recruit and retain continuing care providers; experiment with reimbursement innovations; and provide care to teenagers. Projects should emphasize collaborative efforts between agencies to provide efficient comprehensive services (for example, interagency coordination of services provided by school systems, day care settings, maternal and child health programs, and Headstart).

Projects requesting waivers only, and not grant funds, will be encouraged for Fiscal Year 1981.

All applicants should include in their proposals an administrative model for managing local health care programs and a design to coordinate existing health care services offered through local, State and Federal programs. An April 1980 document entitled, "Additional Information for Applicants in the Area of EPSDT/CHAP" contains a discussion of issues in child health demonstrations. HCFA will include this document in the grants application kit, upon request.

HCFA is especially interested in demonstrations that address the following areas:

1. Projects which will develop techniques necessary to assure the recruitment and retention of continuing care providers; that is, providers who give or arrange for care on a continuous basis through the stages of health-assessment, treatment planning, and actual treatment for episodic care as needed. This area includes demonstration projects which:
   - Develop and test incentives to recruit and retain a full range of providers, especially continuing care providers.
   - Design and implement continuing care provider agreements for local agencies and determine the effect of these agreements on provider recruitment, participation, and case management.
   - Design and test a series of measures to evaluate and monitor the provision of continuous care.
   - Test different mixes of health care personnel to assure continuing care, and determine how the use of health care personnel other than physicians might affect the delivery of comprehensive health care and the overall costs of providing child health services under Medicaid.
2. Projects designed to test innovative reimbursement methods which promote cost effectiveness, and develop additional

services in areas of identified need. Four basic approaches to reimbursement demonstrations are:

- A health care management fee or retainer to pay for the continuing care provider's efforts to schedule appointments and referrals and to maintain a composite medical record for each child.
- A minimum schedule of fees (alone or in conjunction with management fees) for pediatric services to use as a guide for reimbursing continuing care providers.
- An all-inclusive (total) payment or capitation rate covering a variety of services, for example, preventive or assessment services, such as outreach, case management, and health education.
- A fee-for-time procedure where reimbursement is based on how long each visit lasted and the time required to provide additional services such as outreach, case management, and health education.

3. Projects to develop methods of identification, outreach, and case management to assure that teenagers receive comprehensive health care.
4. *October 5, 1981 cycle only:* Projects which will develop models of case management and coordination mechanisms to provide health services to children in Title XX day care. Sites should include those which serve migrant children. Projects that propose to provide health services to all children in the day care center will be considered.

3. Health Systems Organization

HCFA is interested in exploring and testing alternate approaches for delivering and paying for health care such as: prepaid capitation systems; expanded ambulatory services; physician or provider risk sharing arrangements; area-wide budgeting systems; innovative use of neighborhood health centers; and case management systems. These and other alternative approaches should seek to introduce competition into the health care delivery system, and offer organizational and payment methods to reduce costs without adversely affecting quality of care. HCFA has supported a number of projects to increase Medicare and Medicaid enrollment in health maintenance organizations (HMOs). While HCFA is still interested in the HMO area, priority for limited research and demonstration support will be given to projects in the following areas:

- Projects which will demonstrate alternative approaches to the delivery of health care and assess their impact on costs, use and quality of care. Descriptions of alternate systems should include: arrangements in which the physician or provider bears some financial risk for services ordered or provided; methods of calculating reimbursement formulas; incentives for Medicare and Medicaid beneficiaries to participate; and marketing or enrollment strategies.
- Projects designed to study the impact of various types of delivery systems, including selection factors and health outcomes, on physicians, providers and beneficiaries.

4. Hospital Costs

This area includes projects to develop hospital reimbursement information to address policy questions about: changes in reimbursement systems; various ways to contain hospital costs; and basic factors underlying these costs.

HCFA is especially interested in studies, analyses, and demonstrations that address the following issues:

- Projects which will study: the effects of Medicare and Medicaid inpatient hospital reimbursement limits on hospital behavior, including changes in the volume or scope of services; patterns of practice; types of patients; costs of care; capital investment decisions; allocation of costs; substitution between inpatient and outpatient care; the costs of care; and treatment patterns.
- Studies which will determine the relationships between various methods for reimbursing capital costs in hospitals and the capital financial markets, and the implications of these relationships for areas with hospital rate-setting and areas with rapidly expanding populations.
- Projects which will develop relationships and linkages between health planning agencies and rate setting organizations or activities in the States and analysis of the potential of such linkages to influence hospital capacity.
- Projects designed to study area-wide approaches to capital and operational financing of hospitals, such as area-wide budgeting, pooled depreciation, sharing of services and implications of multiple sources of payment.
- Projects which will develop determinants of the differential costs in terms of accounting practices, overhead allocation, differences in services, or patient mix in:
    - Hospital-based versus freestanding services (for example, skilled nursing facilities [SNFs], dialysis centers, home health agencies, and ambulatory services)
    - Specialty institutions (for example, cancer centers, children's hospitals) versus non-specialty facilities.
- Projects which will examine hospital contractual arrangements for services such as: emergency and outpatient clinics; SNFs; laboratory services; physical therapy; food and fiscal management; bulk purchasing systems; and their implications for reimbursement through Medicare Part A and Part B and for rate-setting.
- Projects designed to analyze changes in operating costs due to capital investment or leasing arrangements for new capacity, modernization, or new services.

- Projects which will study the implications of hospital admitting privileges and hospital physician arrangements, such as contractual arrangements, and their relationship to hospital costs.
- Studies which will determine alternate methods of measuring patient mix on a national basis.
- Projects designed to assess the underlying causes for area differences in input costs for health care services (particularly labor intensive inputs).

5. Industrial Organization and Reimbursement

This area includes studies that assess the effects of HCFA reimbursement policies and Federal or State regulations on the market structure, conduct and performance of health care industries, such as clinical laboratories, long-term care, durable medical equipment, hospital supply, and drugs. Studies may examine such factors as: the nature of demand for the output of these industries; the degree of market concentration and barriers to competition; and how they have changed over time. Other issues to be examined are the effects of regulation and reimbursement on innovation and investment, on the nature and costs of products supplied and on the quality of the output of these industries.

HCFA is especially interested in studies that address the following issues:

- Projects which will analyze the implications of Medicare and Medicaid reimbursement for laboratory services including the role of the physician, the method of billing, laboratory ownership and *per capita* costs.
- Projects designed to study the effects of HCFA competitive bidding practices and fixed price contracting over time on such areas as market concentration, competition and pricing.
- Projects designed to analyze the demand for and supply of costs and prices of laboratory services and medical equipment including: response to changes in technology; availability of third-party coverage; and changes in Federal or State regulation (for example, licensure requirements and personnel standards).

6. Integrated Data Management Systems

HCFA is interested in demonstration projects that test methods of collecting, processing and disseminating data about health care use, cost, billing and discharge. Special consideration will be given to projects that: develop information systems integrating these data from multiple health care provider types (such as hospitals, HMOs, nursing homes, and home health agencies); cover multiple levels of care (for example, ambulatory, acute inpatient, and long-term care); and provide for access to information by multiple users.

HCFA will give priority to projects that: include shared support, show explicit evidence of user commitment, and request minimal funding from HCFA.

All projects must include methods for maintaining confidentiality of data in accordance with Federal regulation and law.

Demonstrations under this priority area should:

- Eliminate duplicate and overlapping reporting of billing, discharge, cost, quality, and use data by health care providers;
- Disseminate necessary data to multiple users, including fiscal agents, State Centers for Health Statistics, State and local health planning and rate regulation agencies, Professional Standards Review Organizations (PSROs), researchers, and the Federal Government;
- Maximize the cost effective application of state-of-the-art technology to process information:
- Employ uniform data sets specified or under evaluation by the Federal Government (for example, the Uniform Hospital Discharge Data Set [UHDDS], the Uniform Billing Data Set [UB-16], or the long-term care data set).

7. Long-Term Care

HCFA is interested in innovative approaches to delivering and financing long-term institutional and community-based care for the chronically ill, the frail elderly, and the disabled. Applications that meet the requirements of the separate HHS long-term care demonstration program, formerly known as the channeling agency initiative (Request for Proposal, RFP-74-80-HEW-OS, issued April 25, 1980) will not be considered under this solicitation. Information about the long-term care demonstration program may be obtained from the following address:

Assistant Secretary for Planning and Evaluation
Division of Long-Term Care Policy
Room 439F, Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

Applicants are encouraged to show that project plans have been coordinated with local or statewide programs for the aged or disabled, where appropriate.

HCFA will place highest priority on studies and demonstrations which address the following issues:

Studies

- Studies designed to develop economic and reimbursement analysis, including economic analyses of the home health industry, such as: comparisons among provider types (including profit and non-profit agencies); analyses of the influences of funding patterns on the availability and use of long-term care services; analyses of the relationship of normative levels of care to reimbursement and regulatory systems.
- Studies which will analyze the role of families in the provision of care, including: the relationship between family roles and publicly provided services; programs providing home-based care; holiday admissions; rotating beds; and respite care for families.
- Studies which will assess the differential impact of PSRO versus State utilization review activities in long-term care as they relate to cost, use, quality of care, and certification of facilities.
- Studies designed to analyze alternative reimbursement methods under the Medicaid program for long-term care services and the impact of the source of funding on the growth and structure of the long-term care industry.

- Studies which will examine factors affecting the physician's determination of where to place patients (for example, the supply of nursing home beds, availability of noninstitutional services, and the proximity of a SNF to the hospital where the physician practices).
- Studies designed to examine incentive reimbursement for positive health outcome, including methodological development studies that: measure normative health outcomes in nursing home care; determine the degree to which nursing home care affects a patient's health; and lead to the development of reimbursement methodologies that provide incentives for improving the beneficiaries' health.
- Studies designed to evaluate the current patient assessment methodologies to determine appropriate (or inappropriate) placement and reimbursement levels.
- Studies which will analyze factors affecting patient conversion from private pay or Medicare to Medicaid for institutional services such as: demographic factors; need for and duration of care; personal financial resources; and so forth.

Demonstrations

- Demonstrations of innovative reimbursement methods which will test new ways to pay providers of services to promote cost-effectiveness while providing appropriate care; for example, an incentive or prospective reimbursement system for SNFs.

8. Physician Reimbursement

HCFA continues to be interested in payment systems for physician services. HCFAs priorities include studies, analyses and demonstrations which address the following issues:

- Studies designed to identify factors affecting variance in Medicaid physician participation rates among States with comparable reductions in physician charges. These studies should consider reimbursement as well as other incentive approaches.
- Studies which will investigate, describe, and catalog the process used by private insurers and States to set reimbursement levels for physician fees, including comparison of approaches that distinguish among specialties and those that do not.
- Studies which will analyze the innovative programs initiated by carriers and private and public insurers to constrain the growth of physician prices or overall medical care expenditures, and will include a determination of the impacts of these programs on the cost and availability of health services.
- Projects which will design and demonstrate alternate methods for the reimbursement of hospital-based physicians, interns, residents, emergency room physicians, and teaching physicians, including alternative approaches to Section 227 of P.L. 92-603 (the Social Security Amendments of 1972).
- Projects designed to describe and analyze institution-physician relationships (that is, the house staff and contractual relationships) and the impact of these relationships on costs and use of services.
- Projects which will design and demonstrate methods of negotiated or other reimbursement methods which provide incentives for primary care; encourage establishment or maintenance of practices in underserved areas; reduce or eliminate geographic and specialty differences in reimbursement levels for comparable services; minimize differences between Medicare and Medicaid reimbursement levels; and simplify administration.
- Projects designed to study alternative physician organizational and reimbursement arrangements within "independent practice association" (IPA) type models of HMOs and the relative effects on use, cost, access, and quality of health services.
- Projects to design and test alternative models, comparing each to the current approaches to reimbursing for ESRD physician services.

9. Quality and Effectiveness

This program area includes projects that examine the relationship between health services and the health of the population, and is concerned with developing standards of care for HCFA programs. HCFA is seeking methods to assess quality of health care. In addition, HCFA is interested in how to apply these methods to different types of providers and health care settings.

HCFA is especially interested in studies and demonstrations which deal with the following issues:

- Projects to develop outcome and quality measures for long-term care and ESRD services.
- Projects which will develop and test the relative effectiveness of alternate approaches to use and quality of health care review, including models that combine PSRO and certification survey objectives.
- Projects designed to develop criteria and innovative methods for standards and certification, particularly for fire prevention and control in long-term care facilities and home health agencies.
- Projects to examine the effect of personnel qualifications and practices on the quality of care in nursing homes and other facilities.
- Projects designed to determine the impact of physician education about PSRO appropriateness criteria on subsequent practice patterns.

10. State Medicaid Programs

HCFA believes that State Medicaid programs provide a natural laboratory for studying how variations in coverage, eligibility, method of payment, and administration affect health care costs, use and quality of services. Projects should identify how the study's conclusions can be applied to other programs and to the health care sector.

HCFA will give priority to studies and demonstrations which address the following areas:

- Projects to develop: comparative analyses of variations in State Medicaid programs in one or more specific service areas: hospital, outpatient, ambulatory care, long-term care; and analyses of factors contributing to these variations (for example, coverage of different service packages or providers); and the resultant impact on program costs, beneficiary use, and quality of care.
- Projects designed to examine the effects of cutbacks by States in benefits and reimbursement on the availability of services, the substitution of services, and the overall impact on State and local budgets.
- Projects designed to develop demonstrations or comparative analyses of innovative, efficient, and effective methods for determining Medicaid eligibility such as: variable accounting periods; periodic reporting requirements; retrospective determination of income; or of administering the spend-down program while protecting client access to health care services.
- Studies designed to determine the impact of variable FFP (Federal financial participation) rates on the structure and implementation of State Medicaid programs.
- Projects designed to determine the effectiveness of HCFA supported corrective action initiatives (for example, short run management assistance) on improving State procedures, eligibility, Medicaid Management Information Systems (MMIS), cross-over claims, Medicaid quality control error rates, and Medicaid program administration and management.
- Projects which will examine the impact of spend-down provisions on access to care and the shifting of costs to other sources, such as personal resources, State-funds, and "free care" from the private sector.

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